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中国石油化工股份有限公司

CHINA PETROLEUM & CHEMICAL CORPORATION

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 386)

Announcement of the 2012 Interim Results

§ 1 Important Notice

- 1.1 The Board of Directors and the Supervisory Committee of China Petroleum & Chemical Corporation (“Sinopec Corp.”) and its directors, supervisors and senior management warrant that there are no material omissions, or misrepresentations or misleading statements contained in this announcement and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement.

This announcement is a summary of the interim report. The entire report is also contained in the website of the Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) (www.hkex.com.hk) and Sinopec Corp. (www.sinopec.com). The investors should read the 2012 interim report for more details.

- 1.2 No director, supervisors and senior management has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the interim report. Mr. Zhang Jianhua, director, could not attend the 2nd meeting of the fifth session of board for reasons of official duties. Mr. Zhang Jianhua authorised Mr. Wang Zhinggang to attend and vote on his behalf.
- 1.3 The financial statements for the six-month period ended 30 June 2012 of Sinopec Corp. and its subsidiaries (“the Company”) prepared in accordance with the PRC Accounting Standards for Business Enterprises (“ASBE”), and International Financial Reporting Standards (“IFRS”) have been audited by KPMG Huazhen (Special General Partnership) and KPMG, respectively, and both firms have issued standard unqualified opinions on the financial statements.
- 1.4 There is no occupancy of non-operating funds by the substantial shareholders of Sinopec Corp.

1.5 There is no breach of regulations, decisions or procedures in relation to provisions of external guarantees by Sinopec Corp.

1.6 Mr. Fu Chengyu, Chairman of the Board, Mr. Wang Tianpu, President and vice-Chairman of the Board, Mr. Wang Xinhua, Chief Financial Officer and Head of the Corporate Finance Department warrant the authenticity and completeness of the financial statements contained in this announcement.

§ 2 Basic Information of Sinopec Corp.

2.1 Basic Information of Sinopec Corp.

Stock name	SINOPEC CORP	SINOPEC CORP	SINOPEC CORP	中國石化
Stock code	386	SNP	SNP	600028
Place of listing	Hong Kong Stock Exchange	New York Stock Exchange	London Stock Exchange	Shanghai Stock Exchange
	Authorized Representatives		Secretary to the Board of Directors	Representative on Securities Matters
Name	Mr. Wang Tianpu	Mr. Huang Wensheng	Mr. Huang Wensheng	Mr. Sang Jinghua
Address	22 Chaoyanmen North Street, Chaoyang District, Beijing, the PRC			
Tel	86-10-59960028	86-10-59960028	86-10-59960028	86-10-59960028
Fax	86-10-59960386	86-10-59960386	86-10-59960386	86-10-59960386
E-mail	ir@sinopec.com/media@sinopec.com			

2.2 Principal financial data and indicators

2.2.1 Financial data and indicators prepared in accordance with China Accounting Standards for Business Enterprises (“ASBE”)

2.2.1.1 Principal Financial Data and Indicators

Item	At 30 June 2012 RMB millions	At 31 December 2011 RMB millions	Changes from the end of last year (%)
Total assets	1,168,178	1,130,053	3.4
Total equity attributable to shareholders of the Company	482,730	474,399	1.8
Net assets attributable to shareholders of the company per share (RMB)	5.560	5.472	1.6

Items	Six-month period ended 30 June		Changes over the same period of the preceding year
	2012 RMB millions	2011 RMB millions	(%)
Operating profit	33,508	56,237	(40.4)
Profit before taxation	34,283	56,755	(39.6)
Net profit attributable to shareholders of the Company	23,697	40,239	(41.1)
Net profit attributable to shareholders of the Company before extraordinary gain and loss	23,259	39,824	(41.6)
Weighted average return on net assets (%)	4.89	9.10	(4.21)
			percentage points
Basic earnings per share (RMB)	0.273	0.464	(41.2)
Diluted earnings per share (RMB)	0.263	0.452	(41.8)
Basic earnings per share (before extraordinary gain and loss) (RMB)	0.268	0.459	(41.6)
Net cash flow from operating activities	20,554	30,863	(33.4)
Net cash flow from operating activities per share (RMB)	0.237	0.356	(33.4)

2.2.1.2 Extraordinary items and corresponding amounts:

☒ applicable ☐ inapplicable

Items	Six-month period ended 30 June 2012 (income)/expense RMB millions
Gain on disposal of non-current assets	(459)
Donations	42
Gain on holding and disposal of various investments	115
Other extraordinary income and expenses, net	(348)
Subtotal	(650)
Tax effect	163
Total	(487)
Attributable to:	
Equity shareholders of the Company	(438)
Minority interests	(49)

2.2.2 Financial information extracted from the financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”)

Items	Six-month periods ended 30 June		Change over the same period of the preceding year
	2012 RMB millions	2011 RMB millions	(%)
Operating profit	40,083	58,439	(31.4)
Profit attributable to equity shareholders of the Company	24,503	41,174	(40.5)
Return on capital employed (%)	3.65	6.58	(2.93)
			percentage points
Basic earnings per share (RMB)	0.282	0.475	(40.6)
Diluted earnings per share (RMB)	0.272	0.462	(41.1)
Net cash generated from operating activities	20,322	30,570	(33.5)
Net cash generated from operating activities per share (RMB)	0.234	0.353	(33.7)

Items	At 30 June 2012 RMB millions	At 31 December 2011 RMB millions	Changes from the end of last year %
Total assets	1,181,287	1,144,528	3.2
Total equity attributable to shareholders of the Company	480,398	472,328	1.7
Net assets per share (RMB)	5.533	5.448	1.6

§ 3 Changes in share capital and shareholdings of the principal shareholders

3.1 Statement of changes in share capital

☒ applicable ☐ inapplicable

As at 30 June 2012, 117,749,210 A Shares had been converted from the Sinopec Convertible Bond (code: 110015), and the outstanding bond value was RMB22,142,709,000.

3.2 (1) Top ten shareholders and shareholders of shares without selling restrictions

As at 30 June 2012, there were a total of 779,143 shareholders of Sinopec Corp., of which 772,536 were holders of A Shares and 6,607 were holders of H Shares. The public float of Sinopec Corp. satisfied the minimum requirements under The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”).

Top ten shareholders

Unit: 1,000 shares

Name of Shareholders	Nature of shareholders	As a percentage of total shares at the end of the reporting period %	Total shares held at the end of reporting period	Number of shares with selling restrictions	Number of shares pledged or lock-ups
China Petrochemical Corporation	A share	75.79	65,797,128	0	0
HKSCC (Nominees) Limited	H share	19.20	16,676,361	0	Unknow
Guotai Junan Securities Co., Ltd	A share	0.22	188,634	0	0
China Life-Dividend-Individual Dividend					
005L-FH002 Shanghai	A share	0.15	133,430	0	0
PICC Life-Dividend-Individual					
Insurance Dividend	A share	0.11	98,428	0	0
China Southern Select Fund	A share	0.07	58,300	0	0
Taikang Life Insurance Co., Ltd,					
Dividend Individual Dividend-019	A share	0.06	52,683	0	0
Huaan Hongli Securities Inv. Fund	A share	0.06	50,800	0	0
Harvest Theme New Dynamic Equity					
Securities Investment Fund	A share	0.05	47,430	0	0
SSE 50 ETF Open Index					
Securities Inv. Fund	A share	0.04	37,610	0	0

Note: Sinopec Century Bright Capital Investment Limited, a wholly-owned overseas subsidiary of China Petrochemical Corporation, holds 425,500,000 H shares, which are included in the total number of shares held by HKSCC Nominees Limited.

Statement on the connected relationship or activity in concert among the aforementioned shareholders:

We are not aware of any connection or activities in concert among or between the top ten shareholders.

(2) Information disclosed by the shareholders of H Shares according to the Securities and Futures Ordinance as at 30 June 2012

Name of shareholders	Status of shareholders	Number of shares with interests held or regarded as being held (share)	As a percentage of total interests (H share) of Sinopec Corp. (%)
JPMorgan Chase & Co.	Beneficial owner	196,976,157(L)	1.17(L)
		34,598,330(S)	0.21(S)
	Investment manager	420,609,627(L)	2.51(L)
	Custodian corporation/ Approved lending agent	908,622,581(L)	5.41(L)
Blackrock, Inc.	Interests of corporation controlled by the substantial shareholder	1,103,504,474(L)	6.58(L)
		186,800,976(S)	1.11(S)
Templeton Asset Management Ltd.	Investment manager	1,006,669,203(L)	6.00(L)

Note: (L): Long position, (S): Short position.

3.3 Changes in the controlling shareholders and the effective controllers in the reporting period

☐ applicable ☒ inapplicable

§ 4. Information about the directors, supervisors and senior management

4.1 The engagement or dismissal of Directors, Supervisors and Other Members of the Senior Management

☒ applicable ☐ inapplicable

Sinopec Corp. held its annual general meeting for 2011 on 11 May 2012, where Mr. Fu Chengyu, Wang Tianpu, Zhang Yaocang, Wang Zhigang, Cai Yiyu, Cao Yaofeng, Li Chunguang, Dai Houliang, Liu Yun, Chen Xiaojin, Ma Weihua, Jiang Xiaoming, Andrew Y. Yan and Bao Guoming were elected as the directors of the fifth session of the Board of Directors, Xu Bin, Geng Limin, Li Xinjian, Zou Huiping, Kang Mingde were elected as the non-employee representative supervisors, Zhou Shiliang, Chen Mingzheng, Jiang Zhenying and Yu Renming were elected as employ representative supervisors of the fifth session of the board of supervisors through democratical election. Mr. Fu Chengyu was elected as the chairman of the Board of Directors of Sinopec Corp. at the first meeting of the fifth session of the Board of Directors held on the same day. Mr. Xu Bin was elected as the chairman of the fifth session of the board of supervisors at the first meeting of the fifth session of the board of supervisors. The board of directors appointed Wang Tianpu as President; Zhang Jianhua, Wang Zhigang, Cai Xiyu and Dai Houliang as senior Vice-President; Wang Xinhua as the Chief Financial Officer; Zhang Kehua, Zhang Haichao, Jiao Fangzhang, Lei Dianwu and Ling Yiqun as Vice-President; Huang Wensheng as the secretary to the board of directors (company secretary).

4.2 Information about the changes in the shares held by the directors, supervisors and senior management

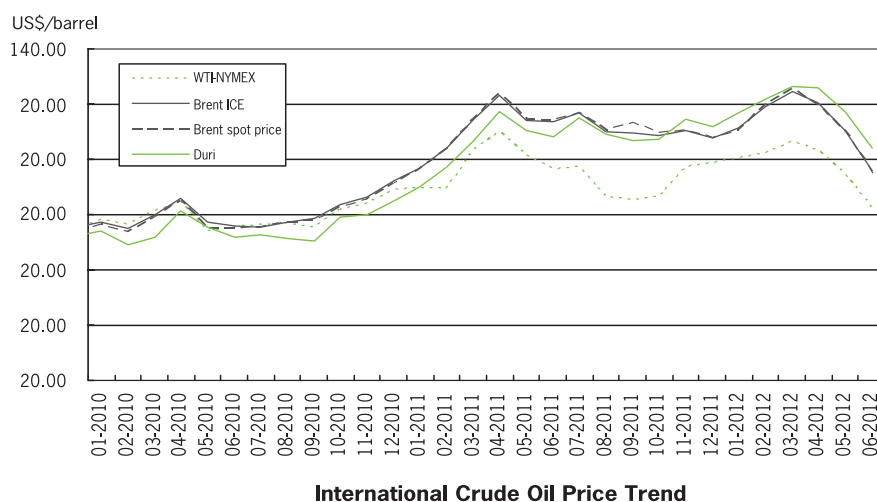
☐ applicable ☒ inapplicable

During the reporting period, save for Ling Yiqun (Vice President)'s holding of 10,000 A Shares of Sinopec Corp., none of Sinopec Corp.'s directors, supervisors or senior management or any of their respective associates had any interests or short positions in any shares, debentures or related shares of Sinopec Corp. or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the Securities and Futures Ordinance or which were required pursuant to section 352 of the Securities and Futures Ordinance to be entered in the register referred to therein, or which were required to be notified to Sinopec Corp. and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions Entered by Directors of Listed Companies as specified in the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") (including those interests and short positions that are deemed to be such, or are regarded to be owned in accordance with the relative provisions under the Securities and Futures Ordinance).

§ 5. Business Review and Prospects and Management's Discussion and Analysis

5.1 Business Review

The first half of 2012 witnessed an economic slow-down in the United States, the debt crisis and consequent recession in Europe, and slower growth in China and other emerging markets. The Chinese government focused on progress in stability, and took a series of measures to maintain stable growth. China's GDP grew by 7.8% over the same period last year, with 8.1% growth in the first quarter and 7.6% in the second quarter. Given the geo-political uncertainty and the weakening demand due to the global economic slow-down, the international price of crude oil rose and then dropped in the first half of 2012. Brent spot price soared to US\$128 per barrel in the first quarter and dropped to US\$100 per barrel in the second quarter, averaging at US\$113.34 per barrel in the first half, a year-on-year increase of 1.96%. The domestic market for refined oil products was well supplied, and the government made four adjustments in product prices in line with international crude price development, keeping tight price regulation. The chemicals market saw intense competition, leading to a drastic drop in product prices. According to the Company's statistics for the first half of the year, domestic apparent consumption of oil products (including gasoline, diesel and kerosene) increased by 3.0%, and consumption of ethylene equivalents increased by 4.0%.



5.1.1 Production and Operations

(1) Exploration and Production Segment

In oil exploration, we made discoveries in a number of territories, including the Tahe oil field in the Tarim Basin, the southern Ordos Basin, the western and northern rims of the Junngar Basin, and the Jiyang depression of the Shengli oil field. In gas exploration, we made new discoveries in the middle and shallow strata of the western Sichuan Basin, the deep strata of the Yuanba area in northeastern Sichuan, and the

northern Ordos Basin. In oil field development and production, we achieved sustained oil production growth as a result of the advances in tapping mature oil fields' potentials, ramping up in key tight oil reservoirs and improving oil recovery rate. In gas field development, our key projects were well under way. We put into operation the Dawan block of the Puguang Gas Field, achieved good progress in the Yuanba Gas Field, and progressed smoothly in middle and shallow strata of the western Sichuan Basin and the Ordos Basin, as momentum continued well on track. The Company produced 163.09 million barrels of crude oil in the first half of 2012, a year-on-year increase of 4.3%. Domestic oil production increased by 1.2% year-on-year and overseas production increased significantly compared with the same period last year due to the overhaul of offshore production facilities in 2011. Natural gas output grew to 289.78 billion cubic feet, representing an increase of 14.1%.

Exploration and Production: Summary of Operations

	Six-month periods ended 30 June		Changes
	2012	2011	%
Oil and gas production (mmboe)	211.42	198.63	6.4
Crude oil production (mmbbls) ^{Note 1}	163.09	156.32	4.3
China	151.96	150.22	1.2
Overseas	11.13	6.10	82.5
Natural gas production (bcf) ^{Note 2}	289.78	253.88	14.1

Note 1: For domestic production of crude oil, 1 tonne = 7.1 barrels; for production of crude oil in Africa, 1 tonne = 7.27 barrels.

Note 2: For production of natural gas, 1 cubic meter=35.31 cubic feet.

(2) Refining Segment

In spite of the tight price regulation on domestic refined oil products and the misalignment with the international crude price in the first half of 2012, we optimized the procurement, transportation and allocation of crude oil to reduce costs, and maintained steady and safe operations of refining facilities. We adjusted the refining throughput and utilization rate in accordance with market changes. We optimized product slate and increased the output of high-spec gasoline. We implemented plans to revamp and expand our refineries in an effort to upgrade the quality of oil products and supply cleaner products. Refinery throughput was 110 million tonnes in the first half of the year, representing a year-on-year increase of 1.1%. Light yield increased by 0.94 percentage point compared with the same period of 2011.

Refining: Summary of Operations

	Six-month periods ended 30 June		Changes
	2012	2011	(%)
Refinery throughput (million tonnes)	109.76	108.53	1.1
Gasoline, diesel and kerosene production (million tonnes)	65.95	63.40	4.0
Gasoline (million tonnes)	19.61	18.18	7.8
Diesel (million tonnes)	39.10	38.44	1.7
Kerosene (million tonnes)	7.25	6.77	7.1
Light chemical feedstock production (million tonnes)	18.53	18.57	(0.2)
Light yield (%)	77.20	76.26	0.94
			Percentage points
Refining yield (%)	95.41	95.30	0.11
			Percentage points

Note: 1. Refinery throughput is converted at 1 tonne = 7.35 barrels
2. 100% production of joint ventures was included.

(3) Marketing and Distribution Segment

In the first half of 2012, Sinopec Corp. adjusted operation strategies to actively respond to the changes in the market demand. In the first quarter, the Company increased the proportion of retail volume to achieve higher profitability. In the second quarter, in spite of continued drop in international oil price and weakening market demand, the Company intensified marketing activities and controlled the inventory level effectively. The Company strengthened quality management for outsourced oil products. We provided value-added services including e-commerce and promoted non-fuel businesses. In the first half, the total sales volume of oil products increased to 82.67 million tonnes, up by 2.8% year-on-year.

Marketing and Distribution: Summary of Operations

	Six-month periods ended 30th June		Changes
	2012	2011	%
Total sales volume of oil products (million tonnes)	82.67	80.42	2.8
Total domestic sales volume of oil products (million tonnes)	77.03	75.10	2.6
Retail (million tonnes)	53.15	50.20	5.9
Direct sales (million tonnes)	15.68	15.89	(1.3)
Wholesales (million tonnes)	8.2	9.01	(9.0)
Annualised average throughput per station (tonne/station)	3,489	3,341	4.4
	On 30th June 2012	On 31st December 2011	Changes from the end of last year (%)
Total numbers of domestic service stations	30,484	30,121	1.2
Company-operated	30,471	30,106	1.2

(4) Chemicals Segment

In the first half of 2012, the Company lowered the plant loads for ethylene and synthetic resin according to supply and demand. We took advantage of production synergies and optimised supply-chain management, leveraging lighter hydrocarbon feedstock and increasing resource efficiency. We produced marketable and high value-added products, accelerated research and development on new products and performance compounds for synthetic resin. As a result, synthetic resin new products and performance compounds reached 52.0%, differentiated fiber reached 67.5% of total produced. We developed a strong customer base by improving service quality. Production of ethylene was 4.81 million tonnes in the first half of 2012, down by 4.1% year on year, and the total sales of chemical products were 26.15 million tonnes, up by 4.2% year on year.

Summary of Production of Major Chemical Products

Unit: 1,000 tonnes

	Six-month periods ended 30th June		Changes
	2012	2011	(%)
Ethylene	4,810	5,015	(4.1)
Synthetic resin	6,701	6,834	(2.0)
Synthetic fibre monomer and polymer	4,580	4,744	(3.5)
Synthetic fibre	674	705	(4.4)
Synthetic rubber	475	526	(9.5)

Note: 100% production of joint ventures was included.

5.1.2 Cost Cutting

To deliver the total cost management target, the Company vigorously reduced non-productive expenditure and kept costs and expenses within our budget in the first half of 2012. The Company strengthened its process management in crude sourcing and logistics, and achieved a better control of crude cost. On finance management, the Company reduced financing cost by strengthening fund operations and broadening fund-raising channels. The Company reduced procurement cost through centralised procurement and storage management.

5.1.3 Safety, Energy Conservation and Emission Reduction

The Company implemented the accountability system and strengthened assessment and supervision on HSE management to ensure safe and stable operation of the facilities in the first half of 2012. The Company has taken green and low-carbon initiatives, advanced technology innovation and energy performance contracts, and focused on energy-saving and environmental protection in the course of energy development, processing and utilization. To well implement corporate social responsibility, the Board of Directors set up the CSR Management Committee to monitor the Company's CSR performance in HSE, green and low-carbon development. In the first half of 2012, the Company's energy intensity dropped by 2.0%, COD in waste water discharge shrank by 4.1% and sulfur dioxide discharge fell by 3.3%.

5.1.4 Capital Expenditures

The Company's capital expenditures in the first half reached RMB 51.504 billion, of which RMB 21.839 billion were used in the Exploration and Production segment, mainly for the Shengli shallow water oilfield, the Tahe oil field in the northwest, the Ordos oil and gas fields, the Sichuan Basin and the Shandong LNG project. RMB 10.427 billion were used in the Refining segment, mainly for upgrading the quality of diesel products and revamping and expansion of refining projects in Shanghai Petrochemical and Jinling. RMB 6.341 billion were used in the Chemicals segment for the construction of such projects as the Wuhan 800 thousand tpa ethylene project, the Yanshan butyl rubber project and the Yizheng BDO project. RMB 12.39 billion were used in the Marketing and Distribution segment, mainly for construction and acquisition of service stations, oil depots and oil product pipelines in highways, major cities and urban development areas, and non-fuel business, IC card value-added service with 704 new service stations added. RMB 507 million were used for the Corporate and Others, mainly for R&D facilities and IT projects construction.

5.2 Principal Operations categorised by business segments

The following table sets out the principal operations categorised by business segments and the details of the connected transactions, including income from principal operations and cost of sales for each business segment, extracted from the Company's financial statements prepared under ASBE:

	Six-month periods ended 30 June	
	2012	2011
	RMB millions	RMB millions
Operating income		
Exploration and Production Segment	126,117	112,633
Refining Segment	638,573	595,676
Marketing and Distribution Segment	709,953	655,002
Chemicals Segment	200,769	209,438
Others	654,279	572,997
Elimination of inter-segment sales	(981,619)	(912,474)
Consolidated operating income	1,348,072	1,233,272

5.3 Principal operations in different regions

□ applicable √ inapplicable

5.4 Reasons of material changes in the principal operations and their structure

☐ applicable ☒ inapplicable

5.5 Reasons of changes in the profitability (gross profit) in the principal operations as compared to that in the preceding year

☐ applicable ☒ inapplicable

5.6 Reasons of changes in profit composition as compared to that in the preceding year

☒ applicable ☐ inapplicable

In the first half of 2012, the Company's turnover and other operating revenues were RMB 1,348.1 billion, representing a year-on-year increase of 9.3%, and the operating profit was RMB 40.1 billion, representing a year-on-year decrease of 31.4%.

5.6.1 Turnover, other operating revenues and other income

In the first half of 2012, the Company's turnover and other operating revenues were RMB 1,348.1 billion, representing an increase of 9.3% over the first half of 2011. This was mainly because the Company expanded the sales volume amid higher prices of crude oil and refined oil products and the increase in the revenue from the Company's trading business.

The following table sets forth the external sales volume, average realised prices and respective change rates of the Company's major products over the first half of 2012 compared with the first half of 2011

	Sales Volume (1,000 tonnes)			Average realised price* (RMB/tonne, RMB/thousand cubic meters)		
	Six-month periods			Six-month periods		
	ended 30th June		Change (%)	ended 30th June		Change (%)
	2012	2011		2012	2011	
Crude oil	2,873	2,386	20.4	4,867	4,600	5.8
Natural gas						
(million cubic meters)	6,881	5,936	15.9	1,282	1,268	1.1
Gasoline	25,540	23,705	7.7	8,740	8,236	6.1
Diesel	47,689	48,612	(1.9)	7,334	6,994	4.9
Kerosene	8,914	8,053	10.7	6,550	5,928	10.5
Basic chemical feedstock	11,134	9,937	12.1	6,792	6,959	(2.4)
Monomer and polymer						
for synthetic fibre	3,298	3,141	5.0	8,377	10,370	(19.2)
Synthetic resin	5,237	5,176	1.2	9,058	10,134	(10.6)
Synthetic fibre	710	764	(7.1)	11,102	13,995	(20.7)
Synthetic rubber	631	631	—	19,034	22,028	(13.6)
Chemical fertilizer	506	468	8.1	2,204	2,049	7.6
Trading	62,948	51,098	23.2	5,248	5,205	0.8
Of which: Crude oil	53,415	43,196	23.7	5,227	5,109	2.3
Refined oil products	3,902	5,033	(22.5)	6,272	6,150	2.0

* Excluding value added tax.

Most of the crude oil and a small portion of natural gas produced by the Company were used internally for refining and chemical production with the remainder sold to external customers. In the first half of 2012, the turnover from crude oil, natural gas and other upstream products sold externally amounted to RMB 26.0 billion, increased by 19.8% year on year, accounting for 1.9% of the Company's turnover and other operating revenues. The change was mainly due to the increase in both the sales volume and the prices of crude oil and natural gas over the same period in 2011.

Petroleum products (mainly consisting of refined oil products and other refined petroleum products) sold by the refining segment and the marketing and distribution segment achieved an external sales revenue of RMB 797.6 billion, representing an increase of 6.9% over the same period of 2011 and accounting for 59.2% of the Company's turnover and other operating revenues. The increase was mainly due to higher prices and sales volume of refined oil products. The sales revenue of gasoline, diesel and kerosene was RMB 631.4 billion, representing an increase of 8.3% over the same period in 2011, accounting for 79.2% of the sales revenue of petroleum products. Sales revenue of other petroleum products was RMB 166.2 billion, representing an increase of 1.7% compared with the first half of 2011, accounting for 20.8% of the sales revenue of petroleum products.

The Company's external sales revenue of chemical products was RMB 173.6 billion, representing a decrease of 5.1% over the same period of 2011, accounting for 12.9% of its turnover and other operating revenues. The decrease was mainly due to the price plunge of chemical products with the average prices of the six major categories of chemical products dropping by RMB 772 per tonne or 9.0% year on year.

Sales revenue of Corporate and Others reached RMB330.9 billion, representing 24.5% of the Company's total turnover and other operating income, up by 24.2% year on year. This was mainly due to the expanded crude and refined of export and import businesses.

5.6.2 Operating expenses

In the first half of 2012, the Company's operating expenses were RMB 1,308.0 billion, representing an increase of 11.3% over the first half of 2011. The operating expenses mainly consisted of the following:

Crude oil procurement, products and operating supplies and expenses were RMB 1,119.3 billion in the first half of 2012, representing an increase of 12.1% over the same period of 2011, accounting for 85.6% of the total operating expenses, of which:

- Procurement cost of crude oil was RMB 458.8 billion, representing an increase of 13.0% over the same period of 2011. Total processed volume of crude oil purchased externally in the first half of 2012 was 84.78 million tonnes (excluding the volume processed for third parties), increased by 2.8% over the first half of 2011. The average unit processing cost of crude oil purchased externally was RMB 5,412 per tonne, increased by 9.9% over the first half of 2011.
- Export and import expenses of crude oil, refined products and other products totaled RMB 328.5 billion, 24.1% more than that of the same period last year. In the first half of 2012, the Company's crude trade volume rose by 23.7% year on year to reach 53.42 million tons while refined products trade volume was down by 22.5% year on year to stand at 3.9 million tons.
- Other procurement cost was RMB332 billion, up by 1.1% year on year, mainly due to the price and volume surge of other raw materials.

Selling, general and administrative expenses of the Company totaled RMB 28.6 billion, representing an increase of 9.0% over the first half of 2011. This was mainly due to the increase in the sales expenses such as freight and miscellaneous costs which was related to the expanded sales volume as well as an increase in the expenses for labor and safety input.

Depreciation, depletion and amortization expenses of the Company were RMB 34.5 billion, representing an increase of 13.2% compared with the first half of 2011. This was mainly due to newly accrued depreciation as a result of continuous investment in fixed assets in recent years.

Exploration expenses in the first half of 2012 were RMB 6.9 billion, representing an increase of 21.8% compared with the same period in 2011. This was mainly because the Company made intensified efforts in the exploration in areas including the Ordos Basin, the Sichuan Basin and the Junggar Basin, etc. as well as in the exploration for unconventional oil and gas.

Personnel expenses were RMB 24.0 billion, accounting for 1.8% of the total operating expenses and representing an increase of RMB 3.4 billion. Excluding the effect of adjusting salary-based insurance and payment, and more employment caused by business growth, the personnel expenses increased by 5.86% year on year. This was mainly an outcome of the pay raise for the front-line employees in the second half of 2011.

Taxes other than income tax totaled RMB 95.3 billion, representing an increase of 2.1% compared with the first half of 2011. It was mainly due to an increase in the consumption tax as a result of expanded product sales volume and the price-based resource tax which increased compared with the same period in 2011.

5.6.3 Operating profit

In the first half of 2012, the Company's operating profit was RMB 40.1 billion, representing a decrease of 31.4% over the same period in 2011. This was mainly due to the aggravated refining loss amid the substantial growth of crude oil cost compared with the regulated prices of gasoline and diesel. In addition, the Company's chemical segment swung to a half-year loss amid the slumping prices of chemical products.

5.6.4 Net finance costs

In the first half of 2012, the Company's net finance costs were RMB 5.0 billion, representing a year-on-year increase of 52.5%, mainly attributed to the increased net interest expenses as a result of less profit, higher debt and bigger amount of capital employed. In addition, the exchange rate changes in the first half of 2012 reduced the net exchange gains in the Company's US dollar denominated debts.

5.6.5 Profit before tax

In the first half of 2012, the Company's profit before taxation amounted to RMB 35.4 billion, representing a decrease of 38.9% compared with the same period of 2011.

5.6.6 Income tax expense

In the first half of 2012, the income tax expense of the Company totaled RMB 9.6 billion, decreasing by 30.4% over the same period of 2011, mainly due to the Company's lower profit for the period.

5.6.7 Profit attributable to non-controlling interests

In the first half of 2012, profit attributable to non-controlling shareholders was RMB 1.3 billion, representing a decrease of 57.1% over the same period of 2011.

5.6.8 Profit attributable to equity shareholders of the Company

In the first half of 2012, profit attributable to equity shareholders of the Company was RMB 24.5 billion, representing a decrease of 40.5% over the same period of 2011.

5.7 Use of the proceeds

5.7.1 Use of the proceeds

☒ applicable ☐ inapplicable

Units: RMB millions

Total proceeds	22,889.38 ^{Note1}	Total proceed used in this reporting period				4,988
		Total cumulative use of proceed				22,159
	Investment		Actual			Compliance
	amount	Any change	proceed	Returns	Whether	with expected
Projects promised	planned	in projects	used	accrued	on schedule	return
Wuhan 800,000 tpa ethylene project	11,289.38	No	11,400 ^{Note2}	No	Yes	—
Anqing refinery revamping project	3,000	No	2,945	No	Yes	—
Shijiazhuang refinery revamping project	3,200	No	2,414	No	Yes	—
Yulin-Jinan gas pipeline project	3,300	No	3,300	^{Note3}	Yes	^{Note3}
Rizhao-Yizheng crude oil pipeline and supporting projects	2,100	No	2,100	^{Note4}	Yes	^{Note4}
Total	22,889.38	—	22,159	—	—	—
Statements on the failure to realise planned schedule and expected return						
No						
Statements on the reasons and procedures of changes						
No						

Note 1: After deducting the issuance cost of RMB 110.62 million (including the commissions for bookrunners and other costs for the intermediary agencies).

Note 2: The total promised proceeds allocated to Wuhan 800,000 tpa ethylene project were RMB 11,400 million, and in consideration of the issuance cost, the total promised proceeds allocated to this project were adjusted as RMB 11,289.38 million. As at 30 June 2012, the total cumulative use of proceeds in this project were RMB 11,400 million, which were consistent with the original total promised proceeds. The company has withdrawn RMB 110.62 million from this project and deposited into fundraising special account on 7 August 2012, consequently the actual total cumulative use of proceeds in this project were RMB 11,289.38 million, which were consistent with the adjusted total promised proceeds.

Note 3: The Company's committed financial benefits are expected after-tax financial internal rate of return. The useful life of Yulin-Jinan gas pipeline project is 20 years. This committed project has been put into operation since the first half of 2012, and the operating period is too short to determine whether this committed project achieved the estimated after-tax financial internal rate of return as committed for the entire operating period of the project. The net cash flow realised during current period satisfied the estimated net cash flow in the project budget.

Note 4: The Company's committed financial benefits are expected after-tax internal rate of return. The useful life of Rizhao-Yizheng crude oil pipeline and supporting project is 20 years. This committed project has been put into operation at the end of 2011, and the operating period is too short to determine whether this committed project achieved the estimated after-tax financial internal rate of return as committed for the entire operating period of the project. The net cash flow realised during current period did not satisfy the estimated net cash flow in the project budget.

5.7.2 Change of projects

☐ applicable ☒ inapplicable

5.8 Amendments to the operation plans of the second half year by the Board

☐ applicable ☒ inapplicable

5.9 Business prospects and operating plan for the second half year

Looking into the second half of the year, the Chinese government is expected to implement a number of fiscal and monetary policies in pursuit of steady economic growth, driving infrastructure investment and domestic consumer spending. Given these macro-control policies to be in place in the second half of 2012, we expect the domestic demand for refined oil products and chemicals will steadily increase, which provides favorable conditions for the Company to scale up business operations.

In line with the macro economic forecast in the second half of 2012, we will step up market development effort, vigorously optimise operations, and strengthen HSE, so as to deliver sustained growth.

In exploration, the Company will focus on reserve and volume growth, advancing exploration in key areas, tracking the evaluation on risk well drilling, ramping up production in key areas and significant natural gas projects, strengthening the development, management and enhanced oil recovery in mature oil fields. The Company will step up efforts in exploration and development of unconventional resources, building production capacity in Fuling continental shale gas project, preparing for the coal-bed-methane production in the southern part of Yanchuan through various pilot well development programs. In the second half of 2012, the Company plans to produce 163.75 million barrels of crude oil (including 154.61 million barrels of domestic production and 9.14 million barrels of overseas production), and 293.07 billion cubic feet of natural gas.

In refining, we will optimise crude sourcing and allocation, increase resource efficiency, and rationalise refinery utilisation. The Company will take into consideration a balanced production and sales of light chemical feedstock, the regional oil products consumption and profitability, and optimise product slate to produce high-spec gasoline. The oil products inventory will be controlled at a rational level to reduce operating cost. The Company will leverage the synergy of centralised sales of lubricant, asphalt and petroleum coke to maximise profitability. For the second half of 2012, the Company plans to process 112 million tonnes of crude oil.

In marketing and distribution, we will leverage the advantage of the distribution network and the value of our brand awareness, making appropriate adjustments to the marketing strategies, expanding marketing activities, extending the sales network, and sharpening competitiveness. In the meantime, the Company will continuously develop non-fuel business, expanding a CNG market and developing e-commerce business to tap new sources of growth. In the second half 2012, the Company plans to sell 80 million tonnes of oil products.

In chemicals, we will respond rapidly to home and overseas market dynamics and adjust the utilisation rate of chemical facilities. The Company will strengthen plant-site management to continuously increase its techno-economic index, optimising feedstock and product mix, maximising the output of marketable and high value-added products. Sinopec will balance marketing with production in line with the market volatility, taking product inventory under control to sell all that is produced. The Company will improve service mechanism for better customer satisfaction. In the second half 2012, the Company expects to produce 4.63 million tonnes of ethylene.

The Company will stick to the objective of building a world-class energy and chemical company and continue to implement the resource strategy, market strategy, integration strategy, international strategy, differentiation strategy and green and low-carbon growth strategy, optimising marketing strategies according to the economic situation at home and abroad, focusing on work safety and cost efficiency to meet all of its targets.

5.10 Caution and explanation as to the anticipated loss of accumulated net profits from the beginning of the year to the end of the next reporting period or significant changes over the same period of last year

☐ applicable ☒ inapplicable

5.11 Explanation of the management about the auditors' "non-standard opinion" for the reporting period

☐ applicable ☒ inapplicable

5.12 Explanation of the management about the subsequent changes and the follow up actions of the matters in connection with the auditors' "non-standard opinion" in the last financial year

☐ applicable ☒ inapplicable

§ 6 Significant events

6.1 Acquisition, sale of assets and assets reorganisation

6.1.1 Acquisition and purchase of assets

☐ applicable ☒ inapplicable

6.1.2 Disposition and sale of assets

☐ applicable ☒ inapplicable

6.1.3 Progress and impact on financial position and operating results of the relevant event after the issue of asset reorganisation report or announcement of acquisition and sale of assets

☐ applicable ☒ inapplicable

6.2 Material guarantee contracts and status of implementation

☒ applicable ☐ inapplicable

Units: RMB millions

External guarantees provided by the Company (not including guarantees provided for its controlled subsidiaries)											
				Date of Guarantee			Whether	Whether	Guarantee		Whether
	Relationship with	Name of the	Amount of	(Date of execution	Term	Type of	Completed	overdue	for Overdue	Counter-	connected
Name of Guarantor	the listed company	Guarantee	Guarantee	of agreement)		Guarantee	or Not	or not	Amount	Guaranteed	party (Yes
											or no) ^{note1}
Sinopec Corp.	The listed	Yueyang SINOPEC	264	10 December 2003	10 December 2003 –	Joint liability	No	No	No	No	No
	company itself.	Shell Coal Gasification			10 December 2017	guarantee					
		Corporation Ltd.									
Sinopec Yangzi	Wholly-owned	BP YPC Acetyls Company	376			Joint liability	No	No	No	No	No
Petrochemical	subsidiary	(Nanjing) Ltd				guarantee					
Company Limited											
Sinopec Sales	Wholly-owned	Xiamen Botan Storage	75			Joint liability	No	No	No	No	No
Co., Ltd.	subsidiary	Company Limited				guarantee					
SSI	Controlled	New Bright International	6,186			Joint liability	No	No	No	Yes	No
	subsidiaries	Development Limited/				guarantee					
		Sonangol E.P									
Total amount of guarantee provided during the reporting period ^{Note2}											79
Total amount of guarantee outstanding at the end of the reporting period ^{Note2}											4,117
Guarantees provided by Sinopec Corp. for its controlled subsidiaries											
Total amount of guarantee for the controlled subsidiaries during the reporting period											N/A
Total amount of guarantee for the controlled subsidiaries outstanding at the end of the reporting period											N/A
Total amount of guarantee by the Company (including those provided for the controlling subsidiaries)											
Total amount of guarantee (A+B)											4,117
Total amount of guarantee as a percentage of the Company's net asset%											0.85
Amount of guarantee provided for shareholders, actual controllers and connected parties (C)											N/A
Amount of debt guarantee provided directly or indirectly for the companies with liabilities to asset ratio of over 70% (D)											2,382
Amount of guarantee in excess of 50% of the total net assets (E)											N/A
Total amount of guarantee of the above three items (C+D+E)											2,382
Explanations of joint liability incurred from undue guarantees											N/A
Remarks on guarantee											N/A

Note 1: As defined in Article 10.1.3 of the Share Listing Rules of Shanghai Stock Exchange.

Note 2: Total amount of guarantee provided during the reporting period and total amount of guarantees outstanding at the end of the reporting period include the guarantees provided by the controlled subsidiaries to external parties. The amount of guarantees assumed by Sinopec Corp. is the amount of the external guarantees provided by each controlling subsidiary multiplied by Sinopec Corp.'s respective shareholding in the controlled subsidiary.

6.3 Credit and debt between connected parties

✓ applicable ☐ inapplicable

Units: RMB millions

Connected Parties	Fund to Connected Parties		Fund from Connected Parties	
	Amount incurred	Balance	Amount incurred	Balance
China Petrochemical Corporation	868	3,007	(2,411)	7,975
Other connected parties	806	1,769	—	—
Total	<u>1,674</u>	<u>4,776</u>	<u>(2,411)</u>	<u>7,975</u>

6.4 Material litigation and arbitration

☐ applicable ✓ inapplicable

6.5 Explanations of other significant events, their impact and proposed solutions

6.5.1 The shares of other listed companies held by the Company and status of investments in shares and securities

Stock Code	Abbreviation	Number of shares held at the end of period	Amount of initial investment	Book value at the end of period	Book value at the beginning of period	Accounting items
384 (Hong Kong)	China Gas Holding	210 million shares	RMB 136,426,500.00	RMB 136,426,500.00	RMB 136,426,500.00	Long-term equity investment

6.5.2 Status of shares holding of institutions such as commercial banks, securities companies, insurance companies, trust companies or future companies etc.

√ applicable □ inapplicable

Financial institutions	Initial investment	Number of shares holding	Proportion in total shares	Book value at the end of the period	Profit/loss in the period	Change of shareholders' funds in the period	Accounting items	Shares origin
	(RMB 10,000)	(RMB 10,000)		(RMB 10,000)	(RMB 10,000)			
1 Beijing International Trust Co., Ltd	20,000	20,000	14.29%	20,000	3,000	0	Long-term equity investment	investment
2 Zhengzhou Commercial Bank Co., Ltd.	1,000	1,000	0.5%	1,000	0	0	Long-term equity investment	Debt to shares
Total	21,000	—	—	21,000	0	3,000	—	

6.5.3 Entrusted loans

To optimise the internal utilisation of available funds and lower the overall cost of capital, the 12th meeting of the fourth session of the board approved Sinopec Corp. of providing entrusted loan to Zhangjiang Dongxing and Hainan Refineries with no more than RMB 10 billion and loan rate no less than same-period commercial bank deposit rate. The entrusted loan is a connected transaction under chapter 14A of the Hong Kong Listing Rules.

Loan to	Amount (RMB billion)	Term from	Interest rate to
Zhanjiang Dongxing Petrochemical Co.	2	28 March 2011	28 March 2012
			4.20%

The above-mentioned entrusted loan was repaid by Zhanjiang Dong Xing during the reporting period.

6.5.4 Wuhan ethylene project

Wuhan ethylene project mainly consists of 800,000 tpa ethylene and downstream auxiliary facilities. Construction commenced in December 2007. It's expected to be completed in 2013.

6.5.5 Shandong LNG project

Shandong LNG project mainly consists of one wharf and one terminal with 3 million tpa capacity and auxiliary transportation pipelines. Construction commenced in September 2010. It's expected to be completed in 2014.

6.5.6 Yuanba Gas Field 1.7billion m³ Test Production Project

The project mainly includes construction of one purification plant and auxiliary facilities. The production capacity of newly-built plant in terms of the gas purification of natural gas is 1.7 billion m³ per annum. Construction commenced in September 2011. It's expected to be completed in 2013.

6.5.7 Issuance of RMB 20 billion corporate bond

On June 1, 2012, Sinopec Corp. successfully issued a 5-year term and a 10-year term domestic corporate bond which amounted to RMB 13 billion and RMB 7 billion with a fixed annual coupon rate of 4.26% and 4.90%, respectively. On 13 June 2012, the aforementioned corporate bonds were listed on the Shanghai Stock Exchange. For further details, please refer to Sinopec Corp.'s announcements published in China Securities Journal, Shanghai Securities News, and Securities Times on 30 May 2012.

6.5.8 Proposed issuance of RMB 30 billion A shares convertible bonds

On 12 October 2011, Sinopec Corp. held the first extraordinary general meeting of Sinopec Corp. for the year 2011. During the meeting, the "Proposals Regarding Issuance of A Share Convertible Bonds and Other Related Matters" were considered and approved. The total value of A share convertible bonds will not exceed RMB 30 billion and the proceeds will be used in the Shandong LNG project, Jinling oil products quality upgrading project, Maoming oil products quality upgrading, revamping and expansion project, Yangzi oil products quality upgrading and revamping project, Changling oil products quality upgrading and revamping project, Jiujiang oil products quality upgrading and revamping project, Anqing Branch crude oil with sulfur refinery revamping and oil products quality upgrading project and Shijiazhuang Refinery Branch oil products quality upgrading and crude oil revamping project. The issuance of A share convertible bond obtained conditional approval at the offering examination meetings from China Securities Regulatory Commission on 23 March 2012.

6.5.9 Dividend distribution for the year ended 31 December 2011

As approved at the 2011 Annual General Meeting of Sinopec Corp., a final cash dividend of RMB 0.20 (inclusive of tax) per share for 2011 was distributed. On 7 June 2012, Sinopec Corp. distributed the final dividend for 2011 to the shareholders whose names appeared on the shareholder register of Sinopec Corp. on 25 May 2012.

For the year of 2011, total cash dividend of RMB 0.30 (inclusive of tax) per share was distributed and the total cash dividend amounted to RMB 26.034 billion.

6.5.10 Interim dividend distribution plan for the six-month period ended 30 June 2012

According to the Articles of Association, the interim dividend distribution plan for the six-month period ended 30 June 2012 was approved at the 2nd meeting of the Fifth Session of the Board of Directors. An interim cash dividend of RMB 0.10 (inclusive of tax) per share would be distributed based on the total number of shares as of 14 September 2012 (record date).

The interim dividend will be distributed on or before Wednesday, 26 September 2012 to the shareholders whose names appear on the shareholder register of Sinopec Corp. on Friday, 14 September 2012. To be entitled to the interim dividend, holders of H shares shall lodge their share certificate(s) and transfer documents with Hong Kong Registrars Limited at 1712-1716, 17th floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, for registration of transfer, by no later than 4:30pm on Friday, 7 September 2012. The register of members of the H shares of Sinopec Corp. will be closed from Monday, 10 September 2012, to Friday, 14 September 2012 (both dates inclusive).

6.5.11 Other post-balance sheet date events

☐ applicable ☒ not applicable

7 Financial statements

7.1.1 Auditors' opinion

Financial statements ☐ Unaudited ☒ Audited
Auditor's opinion ☒ Standard unqualified opinion ☐ Not standard opinion

7.2 Financial statements

7.2.1 Financial statements prepared under ASBE

The Group and the Company's balance sheets

Units: RMB millions

Items	At 30 June 2012		At 31 December 2011	
	The Group	The Company	The Group	The Company
Currents assets:				
Cash at bank and on hand	13,960	5,792	25,197	20,953
Bills receivable	15,658	2,378	27,961	17,802
Accounts receivable	84,047	16,456	58,721	16,829
Other receivables	15,126	29,814	7,360	28,127
Prepayments	6,754	7,319	4,096	5,410
Inventories	207,230	135,811	203,417	144,148
Other current assets	1,134	704	836	502
Total current assets	<u>343,909</u>	<u>198,274</u>	<u>327,588</u>	<u>233,771</u>
Non-current assets:				
Long-term equity investments	47,498	106,396	47,458	102,101
Fixed assets	547,671	454,976	565,936	470,825
Construction in progress	139,955	123,124	111,311	101,641
Intangible assets	44,459	37,858	34,842	28,458
Goodwill	6,536	—	8,212	—
Long-term deferred expenses	9,305	8,175	9,076	8,018
Deferred tax assets	15,167	11,157	13,398	10,249
Other non-current assets	13,678	7,588	12,232	7,479
Total non-current assets	<u>824,269</u>	<u>749,274</u>	<u>802,465</u>	<u>728,771</u>
Total assets	<u><u>1,168,178</u></u>	<u><u>947,548</u></u>	<u><u>1,130,053</u></u>	<u><u>962,542</u></u>

Items	At 30 June 2012		At 31 December 2011	
	The Group	The Company	The Group	The Company
Current liabilities:				
Short-term loans	86,720	3,649	36,985	3,842
Bills payable	4,276	3,022	5,933	3,052
Accounts payable	172,949	102,722	177,002	128,138
Advances from customers	53,494	46,162	66,686	63,561
Employee benefits payable	5,985	5,158	1,795	1,341
Taxes payable	16,722	13,646	39,622	32,053
Other payables	53,119	87,985	57,662	74,525
Short-term debentures payable	30,000	30,000	—	—
Non-current liabilities due within one year	14,955	14,844	43,388	43,281
Total current liabilities	<u>438,220</u>	<u>307,188</u>	<u>429,073</u>	<u>349,793</u>
Non-current liabilities:				
Long-term loans	51,997	51,036	54,320	53,783
Debentures payable	120,074	120,074	100,137	100,137
Provisions	19,304	17,982	18,381	17,114
Deferred tax liabilities	15,423	7,972	15,181	7,350
Other non-current liabilities	<u>3,939</u>	<u>2,033</u>	<u>3,436</u>	<u>1,759</u>
Total non-current liabilities	<u>210,737</u>	<u>199,097</u>	<u>191,455</u>	<u>180,143</u>
Total liabilities	<u>648,957</u>	<u>506,285</u>	<u>620,528</u>	<u>529,936</u>
Shareholders' equity:				
Share capital	86,820	86,820	86,702	86,702
Capital reserve	30,337	38,808	29,583	37,983
Specific reserve	4,182	3,452	3,115	2,571
Surplus reserves	180,683	180,683	178,263	178,263
Retained earnings	182,249	131,500	178,336	127,087
Foreign currency translation differences	(1,541)	—	(1,600)	—
Total equity attributable to shareholders of the Company	<u>482,730</u>	<u>—</u>	<u>474,399</u>	<u>—</u>
Minority interests	<u>36,491</u>	<u>—</u>	<u>35,126</u>	<u>—</u>
Total shareholders' equity	<u>519,221</u>	<u>441,263</u>	<u>509,525</u>	<u>432,606</u>
Total liabilities and shareholders' equity	<u>1,168,178</u>	<u>947,548</u>	<u>1,130,053</u>	<u>962,542</u>

The Group and the Company's income statements

Units: RMB millions

Items	Six-month periods ended 30 June			
	2012		2011	
	The Group	The Company	The Group	The Company
Operating income	1,348,072	778,788	1,233,272	757,588
Less: Operating costs	1,152,431	620,503	1,029,875	601,876
Sales taxes and surcharges	95,267	76,954	93,285	74,333
Selling and distribution expenses	18,922	16,061	16,650	14,311
General and administrative expenses	29,223	24,652	28,502	23,943
Financial expenses	5,533	4,898	3,486	3,481
Exploration expenses, including dry holes	6,882	6,882	5,652	5,652
Impairment losses	7,048	5,967	2,712	2,197
Add: Gain from changes in fair value	510	568	305	245
Investment income	232	6,058	2,822	9,124
Operating profit	33,508	29,497	56,237	41,164
Add: Non-operating income	1,362	1,148	1,108	1,007
Less: Non-operating expenses	587	536	590	560
Profit before taxation	34,283	30,109	56,755	41,611
Less: Income tax expense	9,337	5,912	13,543	7,479
Net profit	24,946	24,197	43,212	34,132
Attributable to:				
Equity shareholders of the Company	23,697	24,197	40,239	34,132
Minority interests	1,249	—	2,973	—
Basic earnings per share	0.273	NA	0.464	NA
Diluted earnings per share	0.263	NA	0.452	NA
Net profit	24,946	24,197	43,212	34,132
Other comprehensive income:				
Cash flow hedges	1	—	139	—
Available-for-sale financial assets	1	—	1	—
Share of other comprehensive income of associates	26	26	(63)	(63)
Foreign currency translation differences	89	—	(234)	—
Total other comprehensive income	117	26	(157)	(63)
Total comprehensive income	25,063	24,223	43,055	34,069
Attributable to:				
Equity shareholders of the Company	23,784	24,223	40,100	34,069
Minority interests	1,279	—	2,955	—

The Group and the Company's cash flow statements

Units: RMB millions

Items	Six-month periods ended 30 June			
	2012		2011	
	The Group	The Company	The Group	The Company
Cash flows from operating activities:				
Cash received from sale of goods and rendering of services	1,543,118	902,674	1,393,347	863,953
Rentals received	246	166	202	202
Other cash received relating to operating activities	6,662	27,443	4,206	5,127
Sub-total of cash inflows	<u>1,550,026</u>	<u>930,283</u>	<u>1,397,755</u>	<u>869,282</u>
Cash paid for goods and services	(1,335,797)	(723,765)	(1,183,778)	(699,362)
Cash paid for operating leases	(5,989)	(4,506)	(6,341)	(5,339)
Cash paid to and for employees	(19,830)	(16,295)	(16,789)	(13,842)
Value added tax paid	(30,243)	(24,706)	(36,810)	(30,117)
Income tax paid	(12,130)	(6,701)	(20,000)	(12,680)
Taxes paid other than value added tax and income tax	(116,749)	(96,517)	(94,874)	(73,800)
Other cash paid relating to operating activities	(8,734)	(8,242)	(8,300)	(7,947)
Sub-total of cash outflows	<u>(1,529,472)</u>	<u>(880,732)</u>	<u>(1,366,892)</u>	<u>(843,087)</u>
Net cash flow from operating activities	<u>20,554</u>	<u>49,551</u>	<u>30,863</u>	<u>26,195</u>
Cash flows from investing activities:				
Cash received from disposal of investments	1,315	307	2,482	1,754
Dividends received	1,250	5,324	1,997	1,285
Net cash received from disposal of fixed assets and intangible assets	166	152	168	130
Cash received on maturity of time deposits with financial institutions	1,177	1,090	707	—
Cash received from derivative financial instruments	738	—	3,329	—
Other cash received relating to investing activities	563	394	541	195
Sub-total of cash inflows	<u>5,209</u>	<u>7,267</u>	<u>9,224</u>	<u>3,364</u>

Units: RMB millions

Items	Six-month periods ended 30 June			
	2012		2011	
	The Group	The Company	The Group	The Company
Cash paid for acquisition of fixed assets and intangible assets	(77,126)	(63,165)	(53,782)	(37,846)
Cash paid for acquisition of investments	(4,825)	(5,170)	(2,692)	(1,813)
Cash paid for acquisition of time deposits with financial institutions	(2,028)	(1,785)	(5,045)	(3,830)
Cash paid for derivative financial instruments	(1,121)	—	(3,028)	—
Sub-total of cash outflows	(85,100)	(70,120)	(64,547)	(43,489)
Net cash flow from investing activities	(79,891)	(62,853)	(55,323)	(40,125)
Cash flows from financing activities:				
Cash received from borrowings	388,230	78,151	277,196	38,904
Cash received from issuance of 2011 Convertible Bonds, net of issuing expenses	—	—	22,889	22,889
Cash received from issuance of corporate bonds	50,000	50,000	5,000	5,000
Cash received from contribution from minority shareholders of subsidiaries	936	—	22	—
Sub-total of cash inflows	439,166	128,151	305,107	66,793
Cash repayments of borrowings	(339,421)	(79,528)	(272,658)	(46,659)
Cash repayments of corporate bonds and redemption of 2007 Convertible Bonds	(30,000)	(30,000)	(1,036)	(36)
Cash paid for dividends, profits distribution or interest	(21,925)	(21,177)	(14,848)	(14,093)
Dividends paid to minority shareholders of subsidiaries	(507)	—	(420)	—
Cash paid for acquisition of minority interests from subsidiaries, net	(71)	—	(15)	—
Sub-total of cash outflows	(391,924)	(130,705)	(288,977)	(60,788)
Net cash flow from financing activities	47,242	(2,554)	16,130	6,005
Effects of changes in foreign exchange rate	7	—	38	—
Net decrease in cash and cash equivalents	(12,088)	(15,856)	(8,292)	(7,925)

The Group and the Company's statements of changes in equity

	Share capital RMB millions	Capital reserve RMB millions	Specific reserve RMB millions	Surplus reserves RMB millions	Retained earnings RMB millions	Translation difference in foreign currency statements RMB millions	Total shareholders' equity attributable to equity shareholders of the Company RMB millions	Minority interests RMB millions	Total share- holders' equity RMB millions
Balance at 1 January 2011	86,702	29,414	1,325	141,711	163,132	(1,157)	421,127	31,555	452,682
Change for the period									
1. Net profit	—	—	—	—	40,239	—	40,239	2,973	43,212
2. Other comprehensive income	—	77	—	—	—	(216)	(139)	(18)	(157)
Total comprehensive income	—	77	—	—	40,239	(216)	40,100	2,955	43,055
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Appropriation for surplus reserves	—	—	—	3,413	(3,413)	—	—	—	—
– Distributions to shareholders	—	—	—	—	(11,271)	—	(11,271)	—	(11,271)
4. Acquisition of minority interests	—	(16)	—	—	—	—	(16)	(4)	(20)
5. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(814)	(814)
6. Net increase in specific reserve for the period	—	—	1,215	—	—	—	1,215	40	1,255
7. Government grants	—	118	—	—	—	—	118	—	118
	—	102	1,215	3,413	(14,684)	—	(9,954)	(778)	(10,732)
Balance at 30 June 2011	86,702	29,593	2,540	145,124	188,687	(1,373)	451,273	33,732	485,005

The Group and the Company's statements of changes in equity

	Share capital RMB millions	Capital reserve RMB millions	Specific reserve RMB millions	Surplus reserves RMB millions	Retained earnings RMB millions	Translation difference in foreign currency statements RMB millions	Total shareholders' equity attributable to equity shareholders of the Company RMB millions	Minority interests RMB millions	Total share- holders' equity RMB millions
Balance at 1 January 2012	86,702	29,583	3,115	178,263	178,336	(1,600)	474,399	35,126	509,525
Change for the period									
1. Net profit	—	—	—	—	23,697	—	23,697	1,249	24,946
2. Other comprehensive income	—	28	—	—	—	59	87	30	117
Total comprehensive income	—	28	—	—	23,697	59	23,784	1,279	25,063
Transactions with owners, recorded directly in shareholders' equity:									
3. Appropriations of profits:									
– Appropriation for surplus reserves	—	—	—	2,420	(2,420)	—	—	—	—
– Distributions to shareholders	—	—	—	—	(17,364)	—	(17,364)	—	(17,364)
4. Exercise of conversion of the 2011 Convertible Bonds	118	799	—	—	—	—	917	—	917
5. Rights issue of shares by a subsidiary	—	(18)	—	—	—	—	(18)	781	763
6. Acquisition of minority interests	—	(55)	—	—	—	—	(55)	(16)	(71)
7. Distributions to minority interests, net of contributions	—	—	—	—	—	—	—	(720)	(720)
8. Net increase in specific reserve for the period	—	—	1,067	—	—	—	1,067	41	1,108
	118	726	1,067	2,420	(19,784)	—	(15,453)	86	(15,367)
Balance at 30 June 2012	86,820	30,337	4,182	180,683	182,249	(1,541)	482,730	36,491	519,221

The Group and the Company's statements of changes in equity

	Share capital RMB millions	Capital reserve RMB millions	Specific reserve RMB millions	Surplus reserves RMB millions	Retained earnings RMB millions	Total share- holders' equity RMB millions
Balance at 1 January 2011	86,702	37,922	1,025	141,711	118,059	385,419
Change for the period						
1. Net profit	—	—	—	—	34,132	34,132
2. Other comprehensive income	—	(63)	—	—	—	(63)
Total comprehensive income	—	(63)	—	—	34,132	34,069
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
– Appropriation for surplus reserves	—	—	—	3,413	(3,413)	—
– Distributions to shareholders	—	—	—	—	(11,271)	(11,271)
4. Net increase in specific reserve for the period	—	—	1,016	—	—	1,016
5. Government grants	—	108	—	—	—	108
	—	108	1,016	3,413	(14,684)	(10,147)
Balance at 30 June 2011	86,702	37,967	2,041	145,124	137,507	409,341

The Group and the Company's statements of changes in equity

	Share capital RMB millions	Capital reserve RMB millions	Specific reserve RMB millions	Surplus reserves RMB millions	Retained earnings RMB millions	Total share- holders' equity RMB millions
Balance at 1 January 2012	86,702	37,983	2,571	178,263	127,087	432,606
Change for the period						
1. Net profit	—	—	—	—	24,197	24,197
2. Other comprehensive income	—	26	—	—	—	26
Total comprehensive income	—	26	—	—	24,197	24,223
Transactions with owners, recorded directly in shareholders' equity:						
3. Appropriations of profits:						
– Appropriation for surplus reserves	—	—	—	2,420	(2,420)	—
– Distributions to shareholders	—	—	—	—	(17,364)	(17,364)
4. Exercise of conversion of the 2011 Convertible Bonds	118	799	—	—	—	917
5. Net increase in specific reserve for the period	—	—	881	—	—	881
	118	799	881	2,420	(19,784)	(15,566)
Balance at 30 June 2012	86,820	38,808	3,452	180,683	131,500	441,263

7.2.2 Financial statements prepared under IFRS

CONSOLIDATED INCOME STATEMENT

Amounts in RMB millions, except for per share data

	Six-month periods ended 30 June	
	2012	2011
Turnover and other operating revenues		
Turnover	1,327,466	1,216,941
Other operating revenues	20,606	16,331
	<u>1,348,072</u>	<u>1,233,272</u>
Operating expenses		
Purchase crude oil, products and operating supplies and expenses	(1,119,324)	(998,942)
Selling, general and administrative expenses	(28,641)	(26,281)
Depreciation, depletion and amortisation	(34,534)	(30,510)
Exploration expenses, including dry holes	(6,882)	(5,652)
Personnel expenses	(24,020)	(20,583)
Taxes other than income tax	(95,267)	(93,285)
Other operating income, net	679	420
	<u>(1,307,989)</u>	<u>(1,174,833)</u>
Operating profit	<u>40,083</u>	<u>58,439</u>
Finance costs		
Interest expense	(5,946)	(4,587)
Interest income	563	541
Unrealised gain on embedded derivative component of the convertible bonds, net	506	190
Foreign currency exchange (losses)/gains, net	(150)	560
	<u>(5,027)</u>	<u>(3,296)</u>
Net finance costs	<u>(5,027)</u>	<u>(3,296)</u>
Investment income	63	102
Share of profits less losses from associates and jointly controlled entities	323	2,804
	<u>323</u>	<u>2,804</u>

	Six-month periods ended 30 June	
	2012	2011
Profit before taxation	35,442	58,049
Tax expense	(9,643)	(13,857)
Profit for the period	25,799	44,192
Attributable to:		
Equity shareholders of the Company	24,503	41,174
Non-controlling interests	1,296	3,018
Profit for the period	25,799	44,192
Earnings per share		
Basic	0.282	0.475
Diluted	0.272	0.462

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Units: RMB millions

	Six-month periods ended 30 June	
	2012	2011
Profit for the period	25,799	44,192
Other comprehensive income for the period (after tax and reclassification adjustments)		
Cash flow hedges	1	139
Available-for-sale securities	1	1
Share of other comprehensive income of associates	26	(63)
Foreign currency translation differences	89	(234)
Total other comprehensive income	117	(157)
Total comprehensive income for the period	25,916	44,035
Attributable to:		
Equity shareholders of the Company	24,590	41,035
Non-controlling interests	1,326	3,000
Total comprehensive income for the period	25,916	44,035

CONSOLIDATED BALANCE SHEET

Units: RMB millions

	At 30 June 2012	At 31 December 2011
Non-current assets		
Property, plant and equipment, net	547,671	565,936
Construction in progress	139,955	111,311
Goodwill	6,536	8,212
Interest in associates	27,154	25,692
Interest in jointly controlled entities	18,086	19,992
Investments	2,362	1,829
Deferred tax assets	14,169	12,706
Lease prepayments	33,102	26,101
Long-term prepayments and other assets	34,236	29,994
Total non-current assets	823,271	801,773
Current assets		
Cash and cash equivalents	12,559	24,647
Time deposits with financial institutions	1,401	550
Trade accounts receivable, net	84,047	58,721
Bills receivable	15,658	27,961
Inventories	207,230	203,417
Prepaid expenses and other current assets	37,121	27,459
Total current assets	358,016	342,755

	At 30 June 2012	At 31 December 2011
Current liabilities		
Short-term debts	81,017	68,224
Loans from Sinopec Group Company and fellow subsidiaries	50,658	12,149
Trade accounts payable	172,949	177,002
Bills payable	4,276	5,933
Accrued expenses and other payables	140,612	176,878
Income tax payable	2,815	4,054
Total current liabilities	452,327	444,240
Net current liabilities	(94,311)	(101,485)
Total assets less current liabilities	728,960	700,288
Non-current liabilities		
Long-term debts	134,815	116,894
Loans from Sinopec Group Company and fellow subsidiaries	37,256	37,563
Deferred tax liabilities	15,423	15,181
Provisions	19,304	18,381
Other liabilities	5,377	4,925
Total non-current liabilities	212,175	192,944
	516,785	507,344
Equity		
Share capital	86,820	86,702
Reserves	393,578	385,626
Total equity attributable to equity shareholders of the Company	480,398	472,328
Non-controlling interests	36,387	35,016
Total equity	516,785	507,344

7.2.3 Differences between financial statements prepared in accordance with the accounting policies complying with ASBE and IFRS (Unaudited)

- (1) Effects of major differences between the net profit under ASBE and the profit for the period under IFRS are analysed as follows:

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Net profit under ASBE	24,946	43,212
Adjustments:		
Government grants	51	39
Safety production fund	802	941
Profit for the period under IFRS	<u>25,799</u>	<u>44,192</u>

- (2) Effects of major differences between the shareholders' equity under ASBE and the total equity under IFRS are analysed as follows:

	At 30	At 31
	June	December
	2012	2011
	RMB	RMB
	millions	millions
Shareholders' equity under ASBE	519,221	509,525
Adjustments:		
Government grants	(1,438)	(1,489)
Safety production fund	(998)	(692)
Total equity under IFRS	<u>516,785</u>	<u>507,344</u>

7.3 Changes in accounting policies

☐ Applicable ☒ Not applicable

7.4 The Group has no material accounting errors during the reporting period.

7.5 Notes on the financial statements prepared under IFRS

7.5.1 Turnover

Turnover represents revenue from the sales of crude oil, natural gas, petroleum and chemical products, net of value-added tax.

7.5.2 Tax expense

Tax expense in the consolidated income statement represents:

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Current tax		
- Provision for the period	10,418	11,922
- Under-provision in prior years	473	405
Deferred taxation	(1,248)	1,530
	9,643	13,857

Reconciliation between actual tax expense and the expected income tax expense at applicable statutory tax rates is as follows:

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Profit before taxation	35,442	58,049
Expected PRC income tax expense at a statutory tax rate of 25%	8,861	14,512
Tax effect of preferential tax rate (Note)	(916)	(791)
Effect of income taxes from foreign operations in excess of taxes at the PRC statutory tax rate (Note)	101	796
Tax effect of non-deductible expenses	220	105
Tax effect of non-taxable income	(137)	(937)
Tax effect of utilisation of previously unrecognised tax losses and temporary differences	(109)	(327)
Tax effect of tax losses not recognised	538	94
Write-down of deferred tax assets	612	—
Under-provision in prior years	473	405
Actual income tax expense	9,643	13,857

Note:

The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in the PRC that are taxed at preferential rates, and the foreign operation in the Republic of Angola (“Angola”) that is taxed at 50% of the assessable income as determined in accordance with the relevant income tax rules and regulations of Angola.

7.5.3 Basic and diluted earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 24,503 million (2011: RMB 41,174 million) and the weighted average number of shares of 86,800,670,395 (2011: 86,702,527,774) during the period.

The calculation of diluted earnings per share for the six-month period ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB 24,731 million (2011: RMB 41,315 million) and the weighted average number of shares of 90,963,241,870 (2011: 89,377,634,787) calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Profit attributable to ordinary equity shareholders of the Company	24,503	41,174
After tax effect of interest expense (net of exchange gain) of the 2007 Convertible Bonds and the 2011 Convertible Bonds	608	283
After tax effect of unrealised gain (net of unrealised loss) on embedded derivative components of the 2007 Convertible Bonds and 2011 Convertible Bonds	(380)	(142)
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u>24,731</u>	<u>41,315</u>

(ii) Weighted average number of shares (diluted)

	Six-month periods ended 30 June	
	2012	2011
	Number of shares	Number of shares
Weighted average number of shares at 30 June	86,800,670,395	86,702,527,774
Effect of conversion of the 2007 Convertible Bonds	1,087,034,384	1,083,780,669
Effect of conversion of the 2011 Convertible Bonds	3,075,537,091	1,591,326,344
Weighted average number of shares (diluted) at 30 June	<u>90,963,241,870</u>	<u>89,377,634,787</u>

7.5.4 Dividends

Dividends payable to equity shareholders of the Company attributable to the period represent:

	Six-month periods ended 30 June	
	2012	2011
	RMB millions	RMB millions
Interim dividends declared after the balance sheet date of RMB 0.10 per share (2011: RMB 0.10 per share)	<u>8,682</u>	<u>8,670</u>

Pursuant to the Company's Articles of Association and a resolution passed at the Directors' meeting on 24 August 2012, the directors authorised to declare the interim dividends for the year ending 31 December 2012 of RMB 0.10 (2011: RMB 0.10) per share totalling RMB 8,682 million (2011: RMB 8,670 million). Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period represent:

	Six-month periods	
	ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Final dividends in respect of the previous financial year, approved and paid during the period of RMB 0.20 per share (2011: RMB 0.13 per share)	17,364	11,271

Pursuant to the shareholders' approval at the Annual General Meeting on 11 May 2012, a final dividend of RMB 0.20 per share totalling RMB 17,364 million in respect of the year ended 31 December 2011 was declared.

Pursuant to the shareholders' approval at the Annual General Meeting on 13 May 2011, a final dividend of RMB 0.13 per share totalling RMB 11,271 million in respect of the year ended 31 December 2010 was declared.

7.5.5 Trade accounts receivable, net and bills receivable

	At 30	At 31
	June	December
	2012	2011
	RMB	RMB
	millions	millions
Amounts due from third parties	66,255	44,344
Amounts due from Sinopec Group Company and fellow subsidiaries	10,270	6,185
Amounts due from associates and jointly controlled entities	8,407	9,204
	84,932	59,733
Less: Impairment losses for bad and doubtful debts	(885)	(1,012)
Trade accounts receivable, net	84,047	58,721
Bills receivable	15,658	27,961
	99,705	86,682

The ageing analysis of trade accounts and bills receivables (net of impairment losses for bad and doubtful debts) is as follows:

	At 30 June 2012 RMB millions	At 31 December 2011 RMB millions
Within one year	99,524	86,580
Between one and two years	154	66
Between two and three years	13	16
Over three years	14	20
	<u>99,705</u>	<u>86,682</u>

Impairment losses for bad and doubtful debts are analysed as follows:

	2012 RMB millions	2011 RMB millions
Balance at 1 January	1,012	1,322
Impairment losses recognised for the period	2	3
Reversal of impairment losses	(119)	(25)
Written off	(10)	(23)
	<u>885</u>	<u>1,277</u>
Balance at 30 June	<u>885</u>	<u>1,277</u>

Sales are generally on a cash term. Credit is generally only available for major customers with well-established trading records. Amounts due from Sinopec Group Company and fellow subsidiaries are repayable under the same terms.

Trade accounts and bills receivables (net of impairment losses for bad and doubtful debts) primarily represent receivables that are neither past due nor impaired. These receivables relate to a wide range of customers for whom there is no recent history of default.

7.5.6 Trade accounts and bills payables

	At 30 June 2012 RMB millions	At 31 December 2011 RMB millions
Amounts due to third parties	164,122	167,207
Amounts due to Sinopec Group Company and fellow subsidiaries	5,892	6,429
Amounts due to associates and jointly controlled entities	2,935	3,366
	172,949	177,002
Bills payable	4,276	5,933
Trade account and bills payables measured at amortised cost	177,225	182,935

The maturities of trade accounts and bills payables are as follows:

	At 30 June 2012 RMB millions	At 31 December 2011 RMB millions
Due within 1 month or on demand	151,584	150,949
Due after 1 month but within 6 months	25,489	31,820
Due after 6 months	152	166
	177,225	182,935

7.5.7 Segment reporting

Information of the Group's reportable segments is as follows:

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Turnover		
Exploration and production		
External sales	25,956	21,667
Inter-segment sales	90,728	84,281
	116,684	105,948
Refining		
External sales	95,805	96,314
Inter-segment sales	540,088	496,319
	635,893	592,633
Marketing and distribution		
External sales	701,769	649,997
Inter-segment sales	4,003	2,058
	705,772	652,055

		Six-month periods ended 30 June	
		2012	2011
		RMB	RMB
		millions	millions
Chemicals			
External sales		173,576	182,994
Inter-segment sales		23,457	23,315
		<u>197,033</u>	<u>206,309</u>
Corporate and others			
External sales		330,360	265,969
Inter-segment sales		323,343	306,501
		<u>653,703</u>	<u>572,470</u>
Elimination of inter-segment sales		<u>(981,619)</u>	<u>(912,474)</u>
Turnover		<u>1,327,466</u>	<u>1,216,941</u>
Other operating revenues			
Exploration and production		9,433	6,685
Refining		2,680	3,043
Marketing and distribution		4,181	2,947
Chemicals		3,736	3,129
Corporate and others		576	527
Other operating revenues		<u>20,606</u>	<u>16,331</u>
Turnover and other operating revenues		<u>1,348,072</u>	<u>1,233,272</u>

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Result		
Operating profit/(loss)		
By segment		
– Exploration and production	40,463	34,651
– Refining	(18,501)	(12,169)
– Marketing and distribution	20,252	19,598
– Chemicals	(1,251)	16,344
– Corporate and others	(356)	(642)
– Elimination	(524)	657
Total segment operating profit	40,083	58,439
Share of profits less losses from associates and jointly controlled entities		
– Exploration and production	123	128
– Refining	(741)	(194)
– Marketing and distribution	553	640
– Chemicals	(86)	1,869
– Corporate and others	474	361
Aggregate share of profits less losses from associates and jointly controlled entities	323	2,804
Investment income/(loss)		
– Refining	8	3
– Marketing and distribution	40	90
– Chemicals	15	10
– Corporate and others	—	(1)
Aggregate investment income	63	102
Net finance costs	(5,027)	(3,296)
Profit before taxation	35,442	58,049

	Six-month periods ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Assets		
Segment assets		
- Exploration and production	334,744	329,968
- Refining	288,811	274,507
- Marketing and distribution	240,465	231,664
- Chemicals	136,249	143,215
- Corporate and others	101,748	77,489
Total segment assets	<u>1,102,017</u>	<u>1,056,843</u>
Interest in associates and jointly controlled entities	45,240	45,684
Investments	2,362	1,829
Deferred tax assets	14,169	12,706
Cash and cash equivalents and time deposits with financial institutions	13,960	25,197
Other unallocated assets	<u>3,539</u>	<u>2,269</u>
Total assets	<u><u>1,181,287</u></u>	<u><u>1,144,528</u></u>
Liabilities		
Segment liabilities		
- Exploration and production	70,471	86,538
- Refining	46,566	63,753
- Marketing and distribution	72,301	83,625
- Chemicals	24,031	30,459
- Corporate and others	121,462	111,680
Total segment liabilities	<u>334,831</u>	<u>376,055</u>
Short-term debts	81,017	68,224
Income tax payable	2,815	4,054
Long-term debts	134,815	116,894
Loans from Sinopec Group Company and fellow subsidiaries	87,914	49,712
Deferred tax liabilities	15,423	15,181
Other unallocated liabilities	<u>7,687</u>	<u>7,064</u>
Total liabilities	<u><u>664,502</u></u>	<u><u>637,184</u></u>

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

	Six-month periods	
	ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
Capital expenditure		
Exploration and production	21,839	17,406
Refining	10,427	3,656
Marketing and distribution	12,390	9,523
Chemicals	6,341	2,120
Corporate and others	507	862
	<u>51,504</u>	<u>33,567</u>
Depreciation, depletion and amortisation		
Exploration and production	19,328	16,399
Refining	6,062	5,733
Marketing and distribution	4,091	3,498
Chemicals	4,450	4,286
Corporate and others	603	594
	<u>34,534</u>	<u>30,510</u>
Impairment losses on long-lived assets		
Refining	—	43
Marketing and distribution	—	32
Chemicals	—	89
	<u>—</u>	<u>164</u>

The following tables set out information about the geographical information of (i) the Group's external sales and (ii) the Group's non-current assets, excluding financial instruments and deferred tax assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on geographical location of the assets.

	Six-month periods	
	ended 30 June	
	2012	2011
	RMB	RMB
	millions	millions
External sales		
Mainland China	1,016,324	933,935
Others	331,748	299,337
	<u>1,348,072</u>	<u>1,233,272</u>
	At 30	At 31
	June	December
	2012	2011
	RMB	RMB
	millions	millions
Non-current assets		
Mainland China	782,997	762,805
Others	23,334	24,375
	<u>806,331</u>	<u>787,180</u>

7.6 In the reporting period, there was no significant change to the scope of consolidation of the financial statements.

§ 8 Repurchase, Sales and Redemption of Shares

Save as the disclosures above, Sinopec Corp. or any of its subsidiaries had not repurchased, sold or redeemed any listed securities of Sinopec Corp. or its subsidiaries during the reporting period.

§ 9 Application of the Model Code

In this reporting period, no director has infringed the requirements set out under the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules.

§ 10 Corporate Governance

Based on its actual situations, Sinopec Corp. did not establish a nomination committee under the Board of Directors in accordance with the code provisions in paragraph A.5 set out in the Corporate Governance Code and Corporate Governance Report (“Corporate Governance Code”) contained in Appendix 14 of the Hong Kong Listing Rules. Sinopec Corp. is of the view that the nomination of the candidates for directorship by all the members of the Board may better serve the operation need of Sinopec Corp., as such, the duties of the nomination committee set out in the Corporate Governance Code will be performed by the Board of Directors of Sinopec Corp.

In addition, due to other work-related duties, each of chairman and the members of the Audit Committee and the Remuneration and Appraisal Committee of Sinopec Corp. were absent from the annual general meeting of Sinopec Corp. for the year 2011 which caused non-compliance with code provision E1.2 of the Corporate Governance Code. None of the shareholders at the meeting raised enquiries to the Audit Committee or the Remuneration and Appraisal Committee.

Save as disclosed above, during the reporting period, Sinopec Corp. had fulfilled the code provisions set out in the Corporate Governance Code.

§ 11 Review of Financial Results

The financial results for the six months ended 30 June 2012 have been reviewed with no disagreement by the Audit Committee of Sinopec Corp.

§ 12The interim report containing all the information required by paragraphs 46(1) to (9) of Appendix 16 to the Hong Kong Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

This announcement is published in both English and Chinese languages. The Chinese version shall prevail.

By Order of the Board
Fu Chengyu
Chairman

Beijing, the PRC, 24 August 2012

As of the date of this announcement, directors of Sinopec Corp. are: Fu Chengyu, Wang Tianpu#, Zhang Yaocang*, Zhang Jianhua#, Wang Zhigang#, Cai Xiyu#, Cao Yaofeng*, Li Chunguang*, Dai Houliang#, Liu Yun*, Ma Weihua+, Wu Xiaogen+, Li Deshui+, Xie Zhongyu+ and Chen Xiaojin+.*

Executive Director

* *Non-executive Director*

+ *Independent Non-executive Director*